

Empire Life retains strong capital position despite lower earnings in Q1 2022

Q1 2022 highlights (compared to Q1 2021)

- Common shareholders' net income of \$38 million compared to \$157 million
- Earnings per share (basic and diluted) of \$38.69 compared to \$159.82

(Kingston, ON – April 28, 2022) – Empire Life reported first quarter common shareholders' net income of \$38 million for 2022, compared to a net income of \$157 million for the first quarter of 2021. The decrease in first quarter earnings was primarily a result of a non-recurring release of segregated fund guarantee-related policy liabilities which occurred in the first quarter of 2021. Excluding the impact of the release of these policy liabilities, net income in the first quarter of 2022 was lower primarily due to the unfavourable market impact on capital and surplus and lower net income from the Individual Insurance line.

"In the first quarter of 2021 we benefited from highly favourable movements in investment markets that did not reoccur in the first quarter of this year. Even though we did not experience the level of Shareholders' net income this past quarter as we had in the same period last year, we are satisfied with our results," said Mark Sylvia, President and Chief Executive Officer. "Our acquisition of six financial services firms and their amalgamation into TruStone Financial Inc., as a wholly-owned subsidiary of Empire Life, was a definite high point for us and underscores our commitment to building a strong position in the financial advice channel."

Financial highlights

(in millions of dollars except per share amounts)	First quarter			
	2022	2021		
Common shareholders' net income	\$ 38	\$ 157		
Earnings per share - basic and diluted	\$ 38.69	\$ 159.82		

Other Financial Highlights	Mar 31 2022	Dec 31 2021	Sep 30 2021	Mar 31 2021
Return on common shareholders' equity (trailing four quarters) ¹	6.7%	13.8%	16.4%	20.3%
LICAT total ratio	142%	144%	150%	148%

¹ See non-IFRS Measures

Sources of Earnings¹

(in millions of dollars)	First quarter	
	2022	2021
Expected profit on in-force business	\$ 55	\$ 48
Impact of new business	(2)	-
Experience gains (losses)	(1)	150
Management actions and changes in assumptions	1	9
Earnings on operations before income taxes	52	208
Earnings on surplus	-	6
Income before income tax	\$ 51	\$ 215
Income taxes	11	54
Shareholders' net income	\$ 39	\$ 161
Dividends on preferred shares	(1)	(3)
Common shareholders' net income	\$ 38	\$ 157

¹ See non-IFRS Measures

The expected profit on in-force business increased by 15% for the first quarter, primarily driven by higher assets under management in the Wealth Management line.

The impact of new business decreased in the first quarter of 2022, primarily due to lower profit at issue in the Individual Insurance line as a result of lower sales relative to the prior period. The impact of new business on the Individual Insurance line is positive, creating profit at issue, when the present value of future profits from the new business exceeds the sum of the margins in the initial policy liabilities for that business plus the expenses incurred at the point of sale.

Experience gains (losses) were lower in the first quarter of 2022 as the comparable period in 2021 included a release of the policy liabilities associated with the segregated fund guarantees. Experience losses in the first quarter of 2022 included increased expenses in the Wealth Management line from an enhanced commission program on large deposits, and the adverse experience of inflation on Group Solutions pricing, partially offset by favourable experience in the Individual Insurance line from fixed income assets backing liabilities in this segment.

Gains from management actions and changes in assumptions were lower than the comparable quarter in 2021 as trading gains from asset liability matching improvements in the Individual Insurance line from the prior period did not recur in the current period.

Earnings on surplus declined for the first quarter, primarily due to market impacts which caused realized losses on Available for Sale (AFS) assets compared to realized gains on AFS assets for the same period in 2021, partially offset by lower realized losses on assets valued as Fair Value Through Profit and Loss.

The Company's Life Insurance Capital Adequacy Test (LICAT) Total Ratio was 142% at March 31, 2022 compared to 144% at December 31, 2021, well above the requirements set by the Office of the Superintendent of Financial Institutions Canada (OSFI) as well as Empire Life's minimum internal targets.

Non-IFRS measures

Empire Life uses non- International Financial Reporting Standards (IFRS) measures including return on common shareholders' equity, source of earnings, assets under management, annualized premium sales, gross and net sales for mutual funds, segregated funds and fixed annuities to provide investors with supplemental measures of its operating performance and to highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Empire Life also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

Additional information

All amounts are in Canadian dollars and are based on the unaudited consolidated financial results of Empire Life for the period ended March 31, 2022. Additional information about Empire Life can be found in Empire Life's latest Management's Discussion & Analysis and Annual Information Form. These documents are filed on Empire Life's profile available at www.sedar.com.

About Empire Life

Established in 1923 and a subsidiary of E-L Financial Corporation Limited, Empire Life provides individual and group life and health insurance, investment and retirement products. The company's mission is to make it simple, fast and easy for Canadians to get the products and services they need to build wealth, generate income, and achieve financial security. As of March 31, 2022, Empire Life had total assets under management of \$18.6 billion. Follow us on social media @EmpireLife or visit empire.ca for more information.

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